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Tax News: 14/20

### **Amendments to the Assessment and Collection of Taxes Law**

On 20 August 2020, the amending Law regarding the Assessment and Collection of Taxes (L 126(I)/2020) was published in the official Gazette.

On 28 August 2020, the Tax Department has issued a clarifying Circular (Circular 46) with regards to the practical application of the law, although certain details are still pending and will be communicated to taxpayers in the form of Decrees.

The main provisions of the amending law are as follows:

#### **1. Obligation of taxpayers to submit personal income tax returns from 2020 onwards**

From tax year 2020 and onwards, all taxpayers with gross income that falls under the provisions of Article 5 of the Income Tax Law\* are obliged to submit a personal income tax return.

*\*For informative purposes, income which falls under Article 5 of the Income Tax Law includes the following:*

- *Interest*
- *Dividends*
- *Pensions*
- *Employment income and benefits in kind*
- *Rental income*
- *Royalties*
- *9% deemed interest relating to interest free financial assistance provided to directors/shareholders of companies*
- *Trading goodwill*
- *Profits deriving from trading activities etc*

However, it is clarified that the Council of Ministers will set certain conditions through which individuals with gross income not exceeding €19.500 and meeting the said conditions will be exempted from the obligation to submit a personal income tax return. Such conditions will be communicated through a Decree which will be published in the official Gazette.

#### **2. Submission of revised income tax returns**

With the introduction of a new provision (Article 5B), taxpayers have the opportunity to submit a revised tax return for tax years 2020 and onwards, within 3 years from the submission deadline of the relevant tax return. Revised tax returns however can only be submitted if the revision arises:

- i. because of claiming a relief, deduction or tax credit as these are provided by Law; or
- ii. because of correcting an error; or
- iii. for the purposes of complying with the provisions of the tax laws.

Irrespective of the above, a revised tax return cannot be submitted during a tax investigation or a tax audit of the relevant tax return.

Any tax liabilities arising from the revision of tax returns, must be settled within 30 days from the submission of the revised returns.

A transitional period has been granted for tax years up to and including year 2019 regarding the submission of revised tax returns for which the submission deadline has passed. Within the transitional period, any revised tax returns for years up to and including year 2019 will be accepted by the Tax Department if they are submitted within 6 months from the date of entry into force of the amending law, i.e. up to 19 February 2021.

### 3. Deadlines for the submission of income tax returns and the payment of the relevant tax (applicable for tax year 2020 and onwards)

The deadlines are as follows:

Taxpayer	Relevant tax returns	Deadline for submission of tax returns	Payment of tax related to the tax returns
Individuals with no obligation to prepare audited FS (employees or self-employed with turnover < €70.000)	T.D.1/ T.D.1 (self-employed)	31 July of the year following the relevant tax year	31 July of the year following the relevant tax year
Companies and individuals with an obligation to prepare audited FS	T.D.4 / T.D.1 (self-employed)	15 months from the end of the tax year	1 August of the year following the end of the tax year
Employers (companies and individuals)	T.D.7	Last calendar day of February following the end of the tax year *	<i>No change-taxes are payable through PAYE</i>

\* The tax circular, clarifies that the deemed benefit arising on a financing arrangement provided by a company to an individual shareholder/director and his related individuals is considered as "remuneration" and should be included in the Employer's return (T.D.7).

#### **4. Powers of the Commissioner of Taxation**

With the amendments to Article 5 of the Law, the Commissioner of Taxation has the power to request the submission of:

- tax returns and any supporting documentation and/or,
- detailed statement of assets and liabilities (capital statement) of a taxpayer, his/her spouse and of any dependants, for a total period not exceeding 6 years (the period under review can be extended in case of fraud).

With the amendment of Article 30 of the Law, par. 4, the Commissioner of Taxation has also the authority to enter and inspect business premises at a reasonable time, without providing a notice to the relevant person.

On the same time, the Commissioner of Taxation has the right, whenever this is considered necessary, to exempt a taxpayer from the submission of accounts, where this is requested by Law.

#### **5. Acceptance of credit cards as a method of payments – Article 30A**

Taxpayers exercising business activity, are obliged to accept payments from clients through credit cards. Such taxpayers will be determined through a Decree that will be issued and will also include any specifications related to the application of the said provision.

Following the Decree issue, a failure to comply with the above provision, will give rise to a monetary penalty of up to two thousand euros (€2.000).

#### **6. No refund in case of non-compliance with VAT obligations - Article 35**

No refund of any tax will be made in cases where the taxpayer has not submitted any VAT return due by the end of the tax year in which the examination for the refund began, until the taxpayer complies with this obligation. During the period of non-compliance, no interest will be paid on any refundable taxes.

For any additional information in relation to the above, you may directly contact our tax team at the e-mail address: [tax@dinoscpa.com](mailto:tax@dinoscpa.com).